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RUEHBR/AMEMBASSY BRASILIA 6593  
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TAGS: [PGOV](#) [PINR](#) [PREL](#) [EU](#) [PE](#)  
SUBJECT: OLLANTA HUMALA MEETS WITH EU AMBASSADORS

REF: A. LIMA 1080

[1](#)B. LIMA 893

Classified By: Political Counselor Alexander Margulies. Reason: 1.4(d)  
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[1](#)1. (S) SUMMARY: On March 20, British Ambassador Richard Ralph provided his US and Canadian colleagues with a readout of the EU Ambassadors' meeting with Ollanta Humala five days earlier. Amb. Ralph said that Humala was accompanied by his wife Nadine, who said nothing, and by a leading business supporter Solomon Lerner Ghitis, who did elaborate on the candidate's remarks at a few points. Humala gave a 10 minute opening presentation and then took questions for about an hour. The candidate reiterated the general policy positions he has promoted during his campaign (favoring State participation in the economy, revision of tax stability agreements with foreign investors, Latin American energy integration, as well as hostility towards the Peru Trade Promotion Agreement - Ref B), but surprised the EU Ambassadors as coming across as more reasonable and non-charismatic than they had expected. END SUMMARY.

[1](#)2. (S) Humala predicted that he might win the election in the first round, saying that his private polls place him 10 points ahead of the widely-watched Apoyo poll (Ref A). He explained that his nationalist platform does not mean that he seeks to dominate other countries, emphasizing that he wants peace. Indeed, he saw a broad similarity of views in the "Latin American family" (Venezuela, Brazil, Argentina, Bolivia and Uruguay) on issues such as coca, poverty, and economic problems that require regional solutions. Latin America, he said, is experiencing serious political decay, as shown by the frequent changes of Presidents in Ecuador and Bolivia.

[1](#)3. (S) Globalization is a fact, the candidate said, but countries need to affirm their identity. National production needs to be strengthened and the State must be a partner in certain strategic areas such as ports and energy. Humala said that he would not expropriate or nationalize foreign enterprises but the State must have a broader role. Later in the conversation, he asked rhetorically how EU countries

would feel if their major enterprises were mostly owned by foreigners? Humala termed the European Union a major partner of Peru and said that he would like to strengthen that relationship. He also termed the United States a major partner -- one with which he hopes to work closely and intensely -- but said he did not want to put all of his eggs in one basket.

¶4. (S) The candidate said he wanted to promote industrialization and transfer of technology in his country but not on the basis of "limosnas" (charity). The UK Ambassador observed that this statement was unclear, but the sense of it, especially when combined with statements below, was that the Peruvian government would play a strategic role in directing industrial development.

¶5. (S) Humala observed that Peru is a mining country, but an economy based on that activity is not sustainable. He placed great importance on achieving food security, which he equated with agricultural self-sufficiency. The British Ambassador noted that an agricultural import substitution regime is clearly in the offing.

¶6. (S) On coca, Humala said that he would have a zero tolerance stance towards narcotrafficking. His focus would be on control of chemical precursors and air/maritime interdiction. Humala said that Peru needs a strong crop substitution program, and he said that he would seek EU and US assistance to identify new legal markets for coca.

¶7. (S) Turning to defense, Humala said that he hoped to see more exchanges with Europe.

¶8. (S) Humala said that his first 90 days in office would be crucial; his priorities would be education and health. Addressing his attitude toward foreign-owned companies, Humala asserted that he only wants justice on the issue of royalties: mineral and energy prices are at record highs and the Peruvian people are not benefiting. He said he would make companies respect the environment, singling out the Camisea project as an example. Humala said he wants a strong state and asserted that he would crack down hard on corruption.

¶9. (S) The question and answer session began with a query from an EU ambassador about Humala's attitude toward a Free Trade Agreement with the Europeans. Humala said that in principle he favors free trade agreements but they should have a political dimension. While saying he was not familiar with the terms of the deal the Toledo government had struck with the United States, Humala said the US-Peru FTA did not meet such a standard; he did not want FTAs that will cause disappointment in some sectors. He also noted three issues that were of concern to him in trade deals: coca, IPR and biodiversity. Salomon Lerner intervened at this point to say that a cost-benefit analysis of the US-Peru FTA showed that the costs to agriculture are too high. Humala elaborated further that in general the US FTA collides with his nationalist project. He spoke of the importance of integration with Peru's near neighbors: Argentina, Brazil, Bolivia, Uruguay, Venezuela, and even Chile, he added as an afterthought. Neither at this point nor elsewhere in the conversation did Humala mention Colombia.

¶10. (S) Turning to the issue of mining royalties, an EU ambassador noted that much of the problem lies not with companies that don't pay, but with regional and municipal governments that cannot spend the resources transparently and efficiently. While acknowledging the need to build this capacity among decentralized government bodies, Humala said that he had a problem with tax stability agreements; small and medium Peruvian enterprises don't have them, he said, suggesting this was unfair to the economic sector he wishes to promote. Humala stated that he would review the contents of tax stability agreements to ensure compliance but without malice or threats, specifically mentioning Doe Run's La Oroya mine as an egregious violator. He added that he likes corporate social responsibility.

¶11. (S) Asked about his plans for the Constitution, Humala said that he wants a new division of power, arguing that the Fujimori-era constitution does not benefit the country because it prevents State participation. He added that it is unacceptable that privatization contracts with multinationals cannot be revised and that bad Congressmen enjoy immunity. The Constitution must protect national entrepreneurs, he said, adding that he would change the basic law democratically. Salomon Lerner jumped in to note that the Peruvian State has no industrial and economic planning capacity because the neo-liberal model says the State doesn't need it. Downplaying the significance of revisions to the juridical and tax stability agreements enjoyed by foreign investors, Lerner said that 85 out of 194 of them had been revised in the past four years. (Comment: The only revisions that the US, British and Canadian Ambassadors are aware of occurred when companies made significant new investments and negotiated changes to the stability agreements to cover them. End Comment.)

¶12. (S) In response to a question about his top five priorities, Humala ended up listing eight: (1) change the Constitution to permit modification of contracts; (2) create a planning capacity; (3) reactivate national agriculture by pumping 100 million dollars into an agricultural credit bank; (4) coordinate with regional governments on their infrastructure requirements; (5) decentralize industrial capacity by creating new facilities away from the coast; (6) institutionalize "reclamas" (social demands) by strengthening the administrative capacity to deal with them; (7) judicial reform; and (8) fight corruption.

¶13. (S) Salomon Lerner said that there would be lots of opportunities for private investment in infrastructure projects (presumably through private/public partnerships, but he did not specify). The government would work, Lerner said, to create value-added industries to process minerals, tobacco and pharmaceuticals.

¶14. (S) An EU Ambassador asked Humala's view of the South American Community of Nations. Humala said that he has a long term vision of a single South American entity, adding that he would push this vision with Venezuela. He singled out his desire to see an integrated South American energy grid, a regional internal market and, "poles of economic development."

¶15. (S) Turning to the issue of regional governments within Peru, Humala said that there are too many; the number should be reduced to around five. He also mentioned his desire to involve the Peruvian Armed Forces in infrastructure projects around the country.

¶16. (S) An EU ambassador asked what Humala's stance would be on the fight against terrorism? Humala said that subversion (referring to internal rather than transnational terrorism, which he did not address) is not/not a national problem and there is consequently no need for a policy on Sendero Luminoso. The problem, he said, is the lack of a state presence in certain areas of the country. Sendero Luminoso is on its way to extinction. Young men with nothing to do are Artemio's (the Sendero leader in the Huallaga Valley) holdouts. (Note: The UK Ambassador commented that Ollanta sounded pretty close here to a controversial position taken that same week by his father. In statements to the press, Isaac Humala flatly dismissed any danger from SL or MRTA and called for release of their historic leaders. Ollanta publicly distanced himself from the latter proposal. End Note.)

¶17. (S) The final question from the EU was what Humala would do if things don't get better under his government? The candidate sidestepped it by saying that he would give the people hope, adding that he is not as portrayed by much of the media; he was not undemocratic, his party is not a family party, and he won't be nepotistic.

¶18. (S) In his summation, Humala complained that the private retirement system (AFPs) doesn't invest in Peru. He said he hopes to create a new generation of leaders and hopes that the 21st century will be the Latin American century. He called for a Latin American Monetary Fund to facilitate that.

¶19. (S) The British Ambassador said that Humala came off as modest and, surprisingly given his ability to draw voters, uncharismatic. The candidate had a quiet voice. The EU Ambassadors were impressed that he seemed more moderate than they expected, though they judged that a lot of questions about his policy positions remained unanswered.

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